

ORIGINAL



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HERMOSILLO, SONORA, MEXICO
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P.O. Box 1448
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(520) 398-0411

FILE TODAY

May 11, 2005

Colleen Ryan, Supervisor
Docket Control
Arizona Corporation Commission
1200 W. Washington
Phoenix, AZ 85007

FILE TODAY

AZ CORP COMMISSION
DOCUMENT CONTROL

2005 MAY 12 P 4: 56

RECEIVED

Re: Motion to Re-Open Proceeding ("Motion") in order that the Commission may consider and act upon, if it determines such action to be appropriate, the requests for relief set forth in LQS's contemporaneously filed Application Of Las Quintas Serenas Water Co. For An Opinion And Order To (i) Re-Open Record In Recent Rate Case So As To Consider Evidence In Support Of An Arsenic Cost Recovery Mechanism, And (ii) Modify Rate Case Decision In Order To Add An Arsenic Cost Recovery Mechanism As An Authorized Rate And Charge

Application Of Las Quintas Serenas Water Co. For An Opinion And Order To (i) Re-Open Record In Recent Rate Case So As To Consider Evidence In Support Of An Arsenic Cost Recovery Mechanism, And (ii) Modify Rate Case Decision In Order To Add An Arsenic Cost Recovery Mechanism As An Authorized Rate And Charge

Motion to Re-Open Proceeding ("Motion") in order that the Commission may consider and act upon, if it determines such action to be appropriate, the requests for relief set forth in LQS's contemporaneously filed Application Of Las Quintas Serenas Water Co. For An Opinion And Order To (i) Re-Open Record In Recent Rate Case So As To Consider Evidence Relating To Long-Term Debt Borrowing Costs Associated With Implementation Of Capital Improvements Program, and (ii) Modify Rate Case Decision In Order To Authorize Recovery Of Long-Term Debt Borrowing Costs Within Authorized Rates and Charges

Application Of Las Quintas Serenas Water Co. For An Opinion And Order To (i) Re-Open Record In Recent Rate Case So As To Consider Evidence Relating To Long-Term Debt Borrowing Costs Associated With Implementation Of Capital Improvements Program, and (ii) Modify Rate Case Decision In Order To Authorize Recovery Of Long-Term Debt Borrowing Costs Within Authorized Rates and Charges

DOCKETED

MAY 12 2005

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Colleen Ryan, Supervisor

May 11, 2005

Page 2

Dear Ms. Ryan:

Enclosed for filing are the original(s) and fifteen (15) copies of each of the above-referenced Applications and Motions. As you will note, two different subject matters are involved and one Application and one Motion relate to each. In addition, the enclosed Applications also bear a functional relationship to an Application filed last week on behalf of Las Quintas Serenas Water Co., which has been assigned Docket No. W-01583A-05-0326.

Hopefully, this combination of Applications and Motions in separate dockets will satisfactorily address the impediment to filing that we discussed last week. Please call me in the event you have any questions, and thank you for your assistance.

Sincerely,

A handwritten signature in cursive script, reading "Lawrence V. Robertson, Jr.".

Lawrence V. Robertson, Jr.

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enclosures

ORIGINAL

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BEFORE THE ARIZONA CORPORATION COMMISSION


2005 MAY 12 P 4: 51

Jeff Hatch-Miller
Chairman
William A. Mundell
Commissioner
Marc Spitzer
Commissioner
Mike Gleason
Commissioner
Kristin K. Mayes
Commissioner

AZ CORP COMMISSION
DOCUMENT CONTROL

Arizona Corporation Commission
DOCKETED

MAY 12 2005

DOCKETED BY 

IN THE MATTER OF THE APPLICATION OF)
LAS QUINTAS SERENAS WATER CO. FOR A) DOCKET NO. W-01583A-04-0178
RATE INCREASE)
) **MOTION TO RE-OPEN**
) **PROCEEDING**
)
)
)

Pursuant to A.A.C. R14-3-106(K) and A.R.S. §40-252, Las Quintas Serenas Water Co. ("LQS"), by and through its undersigned attorney, hereby submits this Motion to Re-Open Proceeding ("Motion") in order that the Commission may consider and act upon, if it determines such action to be appropriate, the requests for relief set forth in LQS's contemporaneously filed Application Of Las Quintas Serenas Water Co. For An Opinion And Order To (i) Re-Open Record In Recent Rate Case So As To Consider Evidence Relating To Long-Term Debt Borrowing Costs Associated With Implementation Of Capital Improvements Program, and (ii) Modify Rate Case Decision In Order To Authorize Recovery Of Long-Term Debt Borrowing Costs Within Authorized Rates and Charges ("Application"), a copy of which is attached hereto as Appendix "A" and incorporated herein by reference. This Motion is supported by the following Memorandum of Points and Authorities.

MUNGER CHADWICK, P.L.C.
ATTORNEYS AT LAW
NATIONAL BANK PLAZA
333 NORTH WILMOT, SUITE 300
TUCSON, ARIZONA 85711
(520) 721-1900

MEMORANDUM OF POINTS AND AUTHORITIES

The circumstances which have occasioned LQS' filing of the Application are discussed therein in detail, and in the interest of brevity are incorporated in this Memorandum of Points and Authorities by reference and as background.

A.R.S. §40-252 authorizes the Commission

“... at any time. . . [to] rescind, alter or amend any order or decision made by it . . .” [emphasis added]

In this instance, as stated in the Application, LQS is requesting that the Commission rescind, alter or amend the Commission's Decision No. 67455, which was issued in LQS' recently concluded rate case, in order to provide for the recovery of borrowing costs for long-term debt related to non-arsenic related capital improvements recommended in the Plan as a part of LQS' authorized rates and charges for water service. In that regard, as noted in the Application, LQS is also requesting that the Commission re-open the proceeding in Docket No. W-01583A-04-0178 in order to receive evidence LQS wishes to submit in support of such proposed increase.

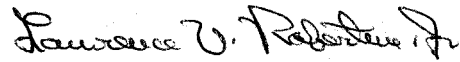
Given the proximity in point of time between the January 4, 2005 date on which Decision No. 67455 was issued and when an evidentiary hearing could be conducted and a decision on the proposed increase in rates and charges rendered, LQS believes that the Commission would be in a position to satisfy the requirements of the Scates case incident to an exercise of its authority pursuant to A.R.S. §40-252.

WHEREFORE, LQS hereby requests that the Commission enter an appropriate order (i) re-opening Docket No. W-01583A-04-0178 for the purpose of considering the Application and the relief therein requested by LQS, as well as receiving evidence relating thereto, and (ii) exercising its authority pursuant to A.R.S. §40-252 to rescind, alter or amend Decision No.

67455 so as to include the recovery of the aforesaid long-term borrowing costs as a part of LQS' authorized rates and charges for water service.

Dated this 9th day of May, 2005.

Respectfully submitted,



Lawrence V. Robertson, Jr.
Munger Chadwick, PLC
333 N. Wilmot, Ste. 300
Tucson, Arizona 85711
Attorney for Las Quintas Serenas Water
Company

The original and 15 copies of the above Application were filed this 10th day of May, 2005 with

Arizona Corporation Commission's
Docket Control
1200 West Washington
Phoenix, Arizona 85007

A copy of the above Application was hand-delivered this 10th day of May, 2005 to:

Ernest Johnson, Director
Utilities Division - ACC
1200 West Washington
Phoenix, Arizona 85007

Christopher Kempley
Chief Counsel - ACC
1200 West Washington
Phoenix, Arizona 85007

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Steve Olea, Assistant Director
Utilities Division – ACC
1200 West Washington
Phoenix, Arizona 85007

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APPENDIX "A"

BEFORE THE ARIZONA CORPORATION COMMISSION

Jeff Hatch-Miller
Commissioner
William A. Mundell
Commissioner
Marc Spitzer
Commissioner
Mike Gleason
Commissioner
Kristin K. Mayes
Commissioner

IN THE MATTER OF THE APPLICATION)
OF LAS QUINTAS SERENAS WATER CO.)
FOR AN OPINION AND ORDER TO (i) RE-)
OPEN RECORD IN RECENT RATE CASE SO)
AS TO CONSIDER EVIDENCE RELATING)
TO LONG-TERM DEBT BORROWING)
COSTS ASSOCIATED WITH)
IMPLEMENTATION OF CAPITAL)
IMPROVEMENTS PROGRAM, AND (ii))
MODIFY RATE CASE DECISION IN ORDER)
TO AUTHORIZE RECOVERY OF LONG-)
TERM DEBT BORROWING COSTS WITHIN)
AUTHORIZED RATES AND CHARGES)

Docket No. W-01583A-05-____

APPLICATION

Pursuant to A.A.C R14-3-106(F) and A.R.S. 40-252, Las Quintas Serenas Water Co. ("LQS"), by and through its undersigned counsel, hereby makes Application For An Opinion and Order to (i) Re-Open Record In Recent Rate Case So As to Consider Evidence Relating to Long-Term Debt Borrowing Costs Associated with Implementation of Capital Improvements, and (ii) Modify Rate Case Decision In Order to Authorize Recovery of Borrowing Costs within Authorized Rates and Charges ("Application"). In support of its Application, LQS submits the following information.

I.

DESCRIPTION OF APPLICANT

LQS is an Arizona public service corporation subject to regulation by the Commission as a water utility. LQS has received a certificate of convenience and necessity to provide potable water service to the public within a certificated service area in the vicinity of Sahuarita, Arizona. At present, LQS provides such service to approximately 826 customer connections, as well as standpipe water service to approximately 146 additional customers.

As a public water service provider, LQS is subject to the regulations of the United States Environmental Protection Agency ("EPA") which have lowered the allowable concentration of arsenic in drinking water from 50 parts per billion to 10 parts per billion, effective January 23, 2006 ("New Arsenic Rules"). LQS also has responsibilities as a public service corporation to make such capital improvements to its water system from time to time as may be necessary or appropriate to enable it to provide adequate and reliable service to its customers. In conjunction with the discharge of its several obligations and responsibilities, LQS recently retained Westland Resources, Inc. ("Westland") to conduct a study of LQS's water system, and provide LQS with recommendations as to those facilities needed to enable LQS to comply with the New Arsenic Rules, and any other necessary or appropriate capital improvements.

II.

CIRCUMSTANCES OCCASIONING APPLICATION

On March 24, 2005, Westland presented to LQS a Water System and Arsenic Master Plan ("Plan").¹ The Plan estimates that LQS will be required to incur approximately \$1,789,375 in new capital costs in order to enable it to comply with the New Arsenic Rules and make other

¹ A copy of the Plan was mailed to Brian Bozzo in the Commission's Utilities Division on March 25, 2005 pursuant to Decision No. 67455 in Docket No. W-01583A-04-0178.

capital improvements recommended by Westland. None of these capital costs were provided for in the new rates and charges authorized for LQS by the Commission in Decision No. 67455, which was issued on January 4, 2005.

III.

RELIEF REQUESTED IN THIS APPLICATION

By means of this Application, LQS is requesting that the Commission issue an Opinion and Order re-opening the evidentiary record in Docket No. W-01583A-04-0178 for the purpose of receiving evidence as to the long-term debt borrowing costs it is anticipated that LQS will incur in order to implement the capital improvements recommended in the Plan which are not related to the New Arsenic Rules. In addition, LQS is hereby requesting that the Commission modify and amend Decision No. 67455 to allow LQS to recover such long-term debt borrowing costs as a part of its authorized rates and charges for water service.² By means of a separate and contemporaneously filed application, LQS is similarly requesting that the Commission re-open the record in the rate case in order to consider evidence relating to the capital improvements and certain operation and maintenance expense necessary to enable it to comply with the New Arsenic Rules; and to modify and amend the rates and charges authorized in Decision No. 67455 to allow for the recovery of those costs as well. Further, LQS recently filed an application with the Commission requesting authorization to incur \$1,789,375 of long-term indebtedness in order to implement the facilities recommendations set forth in the Plan. Given the interrelationship among these three applications, it might be appropriate to consolidate the same for hearing and decision.

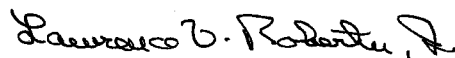
² In addition, by means of a separate motion which is contemporaneously being filed in Docket No. W-01583A-04-0178, LQS is requesting that the proceeding be re-opened by the Commission in connection with this Application.

IV.

CONCLUSION

WHEREFORE, LQS hereby requests that the Commission issue an Opinion and Order (i) re-opening the record in Docket No. W-01583A-04-0178 for the limited purpose of receiving evidence relating to long-term debt borrowing costs associated with implementation of capital improvements recommendations set forth in the Plan which are not related to the New Arsenic Rules and, (ii) thereafter, if determined to be appropriate, modifying and amending the rates and charges authorized in Decision No. 67455 to provide for the recovery of such borrowing costs.

Dated this 9th day of May, 2005.



Lawrence V. Robertson, Jr.
Munger Chadwick, PLC
333 N. Wilmot, Ste. 300
Tucson, Arizona 85711
Attorney for Las Quintas Serenas Water
Company

1 The original and 15 copies of the above
2 Application were filed on the 10th day of
3 May, 2005 with

4 Arizona Corporation Commission's
5 Docket Control
6 1200 West Washington
7 Phoenix, Arizona 85007

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12 Utilities Division - ACC
13 1200 West Washington
14 Phoenix, Arizona 85007

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16 Utilities Division - ACC
17 1200 West Washington
18 Phoenix, Arizona 85007

19 Christopher Kempley
20 Chief Counsel - ACC
21 1200 West Washington
22 Phoenix, Arizona 85007

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